

Senate File 468 - Introduced

SENATE FILE 468

BY CHELGREN

A BILL FOR

1 An Act relating to the individual and corporate income taxes by
2 reducing individual and corporate tax rates and eliminating
3 a deduction for federal income taxes paid, and including
4 retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.4, subsection 16, Code 2015, is
2 amended to read as follows:

3 16. The words "*taxable income*" mean the net income as
4 defined in section 422.7 minus the deductions allowed by
5 section 422.9, in the case of individuals; in the case of
6 estates or trusts, the words "*taxable income*" mean the taxable
7 income (without a deduction for personal exemption) as computed
8 for federal income tax purposes under the Internal Revenue
9 Code, but with the adjustments specified in section 422.7 plus
10 the Iowa income tax deducted in computing the federal taxable
11 income and minus federal income taxes as provided in section
12 422.9, if available.

13 Sec. 2. Section 422.5, subsection 1, paragraphs a, b, c, d,
14 e, f, g, h, and i, Code 2015, are amended to read as follows:

15 a. On all taxable income from zero through one thousand
16 dollars, ~~thirty-six~~ twenty-four hundredths of one percent.

17 b. On all taxable income exceeding one thousand dollars but
18 not exceeding two thousand dollars, ~~seventy-two~~ forty-eight
19 hundredths of one percent.

20 c. On all taxable income exceeding two thousand dollars but
21 not exceeding four thousand dollars, ~~two one~~ and ~~forty-three~~
22 sixty-two hundredths percent.

23 d. On all taxable income exceeding four thousand dollars but
24 not exceeding nine thousand dollars, ~~four and one-half~~ three
25 percent.

26 e. On all taxable income exceeding nine thousand dollars
27 but not exceeding fifteen thousand dollars, ~~six~~ four and ~~twelve~~
28 eight hundredths percent.

29 f. On all taxable income exceeding fifteen thousand dollars
30 but not exceeding twenty thousand dollars, ~~six~~ four and
31 ~~forty-eight~~ thirty-two hundredths percent.

32 g. On all taxable income exceeding twenty thousand dollars
33 but not exceeding thirty thousand dollars, ~~six~~ four and
34 ~~eight-tenths~~ fifty-three hundredths percent.

35 h. On all taxable income exceeding thirty thousand dollars

1 but not exceeding forty-five thousand dollars, ~~seven~~ five and
 2 ~~ninety-two~~ twenty-eight hundredths percent.

3 *i.* On all taxable income exceeding forty-five thousand
 4 dollars, ~~eight~~ five and ~~ninety-eight~~ ninety-nine hundredths
 5 percent.

6 Sec. 3. Section 422.9, subsection 1, Code 2015, is amended
 7 to read as follows:

8 1. An optional standard deduction, after deduction of
 9 federal income tax, if available, equal to one thousand
 10 two hundred thirty dollars for a married person who files
 11 separately or a single person or equal to three thousand
 12 thirty dollars for a husband and wife who file a joint return,
 13 a surviving spouse, or a head of household. The optional
 14 standard deduction shall not exceed the amount remaining after
 15 deduction of the federal income tax, if available. The amount
 16 of federal income tax deducted shall be computed as provided
 17 in subsection 2, paragraph "b".

18 Sec. 4. Section 422.9, subsection 2, paragraph b, Code 2015,
 19 is amended to read as follows:

20 *b.* Add the amount of federal income taxes paid ~~or accrued,~~
 21 ~~as the case may be,~~ during the tax year beginning on or after
 22 January 1, 2015, but before January 1, 2016, to the extent
 23 payment is for a tax year beginning prior to January 1, 2015,
 24 and subtract any federal income tax refunds received during
 25 the tax year beginning on or after January 1, 2015, but before
 26 January 1, 2016, to the extent the federal income tax was
 27 deducted for a tax year beginning prior to January 1, 2015.

28 Where married persons, who have filed a joint federal income
 29 tax return, file separately, such total shall be divided
 30 between them according to the portion of the total paid or
 31 accrued, as the case may be, by each. Federal income taxes
 32 paid for a tax year in which an Iowa return was not required
 33 to be filed shall not be added and federal income tax refunds
 34 received from a tax year in which an Iowa return was not
 35 required to be filed shall not be subtracted.

1 Sec. 5. Section 422.33, subsection 1, paragraphs a, b, c,
2 and d, Code 2015, are amended to read as follows:

3 a. On the first twenty-five thousand dollars of taxable
4 income, or any part thereof, the rate of ~~six~~ three percent.

5 b. On taxable income between twenty-five thousand dollars
6 and one hundred thousand dollars or any part thereof, the rate
7 of ~~eight~~ four percent.

8 c. On taxable income between one hundred thousand dollars
9 and two hundred fifty thousand dollars or any part thereof, the
10 rate of ~~ten~~ five percent.

11 d. On taxable income of two hundred fifty thousand dollars
12 or more, the rate of ~~twelve~~ six percent.

13 Sec. 6. Section 422.35, subsection 4, Code 2015, is amended
14 to read as follows:

15 4. Subtract fifty percent of the federal income taxes paid
16 ~~or accrued, as the case may be,~~ during the tax year beginning
17 on or after January 1, 2015, but before January 1, 2016, to the
18 extent payment is for a tax year beginning prior to January 1,
19 2015, adjusted by any federal income tax refunds during the tax
20 year beginning on or after January 1, 2015, but before January
21 1, 2016, to the extent the federal income tax was deducted for
22 a tax year beginning prior to January 1, 2015; and add the Iowa
23 income tax deducted in computing said taxable income.

24 Sec. 7. Section 422.35, subsection 11, paragraph g, Code
25 2015, is amended to read as follows:

26 g. The deductions described in paragraphs "a" through "f"
27 of this subsection are allowed subject to the requirement that
28 a corporation affected by the allocation provisions of section
29 422.33 shall be permitted to deduct only that portion of the
30 deductions for net operating loss, and federal income taxes if
31 applicable, that is fairly and equitably allocable to Iowa,
32 under rules prescribed by the director.

33 Sec. 8. RETROACTIVE APPLICABILITY. This Act applies
34 retroactively to January 1, 2015, for tax years beginning on
35 or after that date.

1

EXPLANATION

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The inclusion of this explanation does not constitute agreement with
the explanation's substance by the members of the general assembly.

3

4 This bill relates to the individual and corporate income
5 taxes.

6 The bill eliminates, for the individual and corporate income
7 tax, the deduction for federal income taxes paid and the
8 inclusion of federal income tax refunds received except for a
9 one-year phaseout in 2015, for taxes paid and refunds received
10 in that year that relate to a prior tax year.

11 The bill reduces by approximately 33 percent each of the nine
12 tax rates under the individual income tax. The current rates
13 range from a low of 0.36 percent to a high of 8.98 percent. The
14 new rates will range from a low of 0.24 percent to a high of
15 5.99 percent.

16 The bill reduces by approximately 50 percent each of the four
17 tax rates under the corporate income tax. The current rates
18 range from a low of 6 percent to a high of 12 percent. The new
19 rates will range from a low of 3 percent to a high of 6 percent.

20 The bill applies retroactively to tax years beginning on or
21 after January 1, 2015.